GOVERNMENT OF INDIA
LABOUR AND EMPLOYMENT
LOK SABHA

STARRED QUESTION NO:31
ANSWERED ON:20.10.2008
INCREASE IN INTEREST RATE OF EPF
Adhalrao Patil Shri Shivaji;Rana Shri Kashi Ram

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

(a) whether the rate of interest on Employees Provident Fund (EPF) is lower than the rate of interest given by the nationalised banks on various deposits;

(b) if so, the details thereof and the reasons therefor;

(c) whether there is any proposal to increase the interest rate on EPF to bring it at par with the rate being provided by the banks;

(d) if so, the details thereof;

(e) whether the various Central Trade Unions have demanded for increasing the EPF interest rate in proportion to the income from EPF;

(f) if so, the reaction of the Government thereto; and

(g) the time by which the EPF interest rate for 2007-08 and 2008-09 is likely to be declared alongwith the reasons for the delay in this regard?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF LABOUR AND EMPLOYMENT (SHRI OSCAR FERNANDES)

(a) to (g): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (g) OF THE LOK SABHA STARRED QUESTION NO. 31 FOR 20.10.2008 BY S/SHRI KASHIRAM RANA AND ADHALRAO PATIL SHIVAJIRAO REGARDING "INCREASE IN INTEREST RATE OF EPF". (a) to (g): The interest rates given by nationalised banks on various types of deposits vary and in some cases may be higher than the interest given by the Employees' Provident Fund Organisation (EPFO) to its members. However, the interest on Provident Fund is decided for each year based on the estimated earnings of the Fund invested as per the prescribed pattern of investment and estimated liabilities towards its members. The Employees` Provident Fund Organisation is making efforts to get maximum returns by bringing in competition in its fund management. Trade unions' representatives on the Central Board of Trustees (Employees' Provident Fund) have been demanding higher rate of interest on Provident Fund contributions. The rate of interest on Employees' Provident Fund (EPF) balances is declared as per the provisions contained in paragraph 60(1) of the Employees' Provident Funds Scheme, 1952. EPFO is required to credit interest on the balance available in the accounts of the EPF members, at such rate as may be determined by the Central Government in consultation with the Central Board of Trustees. Paragraph 60(1) needs to be read with paragraph 60(4) of the Scheme according to which, "in determining the rate of interest, the Central Government shall satisfy itself that there is no overdrawal of the Interest Suspense Account as a result of debit thereto of the interest credited to the accounts of the members". Accordingly, the rate of interest is decided for each year based on the estimated earnings of the Fund and its estimated liabilities. The Central Government has already approved 8.5% rate of interest for the year 2007-08 to the EPF subscribers. For the financial year 2008-09, the Central Board of Trustees (Employees' Provident Fund) has not given its recommendation so far.